

Lee Ex. D
(Google's Proposed Redactions)

CONFIDENTIAL - PLEASE DO NOT SHARE OR FORWARD

Canada Executive Briefing 2021 Programmatic Business Risk Analysis

Executive Summary;

Related to industry and regulatory policies changes driving the ecosystem shift in 2022, the objective of this document is to demonstrate the role of DV3 within LCS Canada's DVA business and the broader context of Google and industry media products.

The deprecation of 3P cookies in Chrome, expected in 2022, will put targeting and measurement capabilities on third party inventory at risk. This impacts both DV360 (excluding YouTube) and GDA (excluding Discovery). While Google is the biggest player in the Canadian programmatic market, our competitors (TTD, Amazon DSP) face similar challenges with these changes. This document will outline the detailed context for the Canadian market, the most acute areas of risk to our business, and the strategies we are putting in place in 2021 to mitigate risk thereafter.

The consolidation of media buying on DV3 is not a buying door preference vs GDA or YouTube, but rather an incremental media growth strategy for Google. In building this business, we've utilized YouTube and access to Google data as an entry point to consolidate Programmatic buying of 3P inventory (Programmatic Direct and open auction buying) across the 3P ecosystem. DV3 as our Programmatic buying platform, has been our strategy to access programmatic budgets which are often managed through Agency Trading Desks in Canada (roughly [REDACTED] of total DV3 revenue).

DV3 has enabled LCS Canada to benefit from access to new pools of programmatic inventory and media budgets. DV3 is [REDACTED] the only comparable business in the Americas being the CGE Sector. The success of the business is a reflection of the unique ability of our teams to gain the trust of our largest buying partners (Agency Holdcos) and become the primary technology used to purchase Google O&O and 3P display and video media. As such, our near term mitigation strategy places focus on how we service those agency buying partnerships.

Programmatic has always been about the right user, in the right place, at the right time, and audience targeting at scale is what the ecosystem has used to fulfil that promise. Ultimately, regulatory and ecosystem changes will challenge key aspects of the value proposition of programmatic, and put pressure on all open web display and video buying platforms (DSPs). Across Google buying doors in Canada, roughly [REDACTED] of third party inventory is purchased using audience targeting. Of this, half is on audience tactics that rely on a cookie. Without action, programmatic buying will likely become a smaller player in the ecosystem of digital buying. With

Commented [1]: can we add a table view of what this looks like? I have it penned out in notebook however, think a shared view of our very high concentration here is helpful

Commented [2]: see this below, exactly what I had mapped, a vs ALCS avg would be helpful

Commented [3]: If this is the total CA market, what is the specific breakdown on GA3 and GDA? Do we have a breakdown of % of spend by all targeting? And what targeting type is growing the most right now? Important context if 3p cookie audience target is still growing at a high rate

Commented [4]: [REDACTED] Is the DV360 number which we rounded to [REDACTED] GDA numbers are harder to get and I'm not sure if we ever got them. @bwise@google.com can you comment in here re: GDA.

The 37% includes any tactic targeting an audience list (remarketing, google audiences, bluekai/exelate, IAS etc.) Everything else would be grouped together. It isn't possible to break out contextual from prospecting for example.

In terms of growth, 2020 audience targeted spend is actual down [REDACTED] vs 2019. @bwise@google.com we could probably isolate remarketing 2019 vs remarketing 2020 which is the highest risk segment, but my guess is it'd be flat if not down slightly.

a larger slice of a shrinking pie, [REDACTED]
 [REDACTED] is a scenario that the LCS Canada business must prepare for. 3P cookies will be available across Chrome for the entirety of 2021, and likely early part of 2022. We anticipate that there will be a gradual build up to new, non Cookie dependent, buying and measurement strategies in the lead up to Chrome depreciation of 3P cookies.

Current LCS Canada Business Context;

[REDACTED] of LCS Youtube revenue and [REDACTED] of DVA revenue flows through DV3. [REDACTED]

Formatted: Font: Bold

[REDACTED] the Platform drove more than [REDACTED] of revenue for LCS customers in 2020 .

Formatted: Font: Bold

Programmatic Risk Vectors on the Horizon in 2022;

Commented [5]: Similar analysis to: https://docs.google.com/presentation/d/1qoH-yqX94VhupQ3mg4iGcFPJddSXHXyDj0_RZNne7Q6c/edit#slide=id.g81b868c10e_3_0

In 2022 display targeting and measurement will look much different than it does today. Browser policy changes are creating an erosion of 3P cookies that power many current 1:1 targeting tactics, and deterministic view-through measurement (a cornerstone of illustrating display value) will be replaced by **probabilistic modeled conversions**. Additionally, the threat of federal Canadian Privacy Regulation looms.

Formatted: Font: Bold

- TTD - servicing vs effectiveness?
- FB
- AMZ

Strategic Long Term Questions:

i) Customer reaction:

- How is effectiveness impacted in different scenarios vs other competitive options?
- What is client appetite vs immunity to change (which is bigger - type of marketing or partnership?)
- What is the risk profile of clients (ie. banks who are conservative vs others who are less) and how does this impact? Retail vs Finserve vs Telco

ii) Regulatory/Reputation - significant impact on publishers, UK CMA lobby.

- How will publishers react/be impacted in different scenarios? How do we listen on how this evolving?
- How will this play out on our reputation (buy side and sell side)?

iii) Platforms:

- How do we think strategically about platform penetration in CA (Android [REDACTED] in CA [REDACTED] OS) & Chrome OS [REDACTED] in CA - note, Marketing owns this [REDACTED]

iv) Resourcing:

- How much of a lever is this in CA (vs TTD), especially given smaller client/agency teams? Is this something we need to think differently?
- Depending on scenarios, how do we think about servicing vs advanced measurement/analytics (marketing science etc)?

v) Value proposition/strategy:

- What is our long term value prop as scenarios become more clear?
- How do we think about O&O as this evolves?